


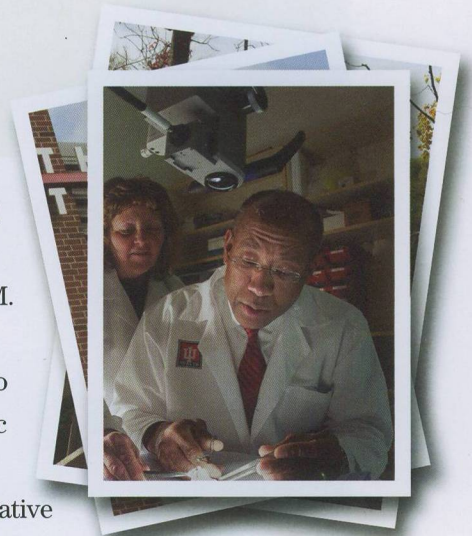
Connections Intended

Lilly Endowment Inc. Annual Report 2010

- 
- 3 | Executive Message
 - 6 | A future by design: Community at the crossroads
 - 13 | CLEAR challenge: Translating research into practice
 - 15 | Building on strength: Initiative spotlights “world’s orthopedic capital” in Indiana
 - 21 | Revitalizing ministry with youth and young adults
 - 27 | A vision of excellence
 - 28 | Finances & Grantmaking
 - 29 | Auditor’s Report
 - 35 | 2010 Grant Approvals
 - 36 | Community Development
 - 39 | Education and Youth
 - 42 | Religion and Philanthropy
 - 48 | Guidelines & Procedures
 - 50 | Acknowledgments

Kurt Vonnegut Memorial Library

David S. Wilkes is a physician scientist and an entrepreneur. He is a practicing “bench to bedside” researcher, one trying to translate research into treatment for patients. The executive associate dean for research affairs and the August M. Watanabe professor of medical research at the Indiana University School of Medicine (right with lab technician Elizabeth Mickler) has devoted his career to finding ways to improve lung transplant survival rates. He founded and is scientific director of ImmuneWorks, an Indianapolis life sciences startup. In his role at the medical school, he directs the Endowment-funded Translational Science Initiative to find bright, motivated students to enter the physician scientist program at the medical school. Many of the Endowment’s recent grants have taken strategic aim at the building blocks for a successful economy in Indiana: improving the educational attainment rate, targeting areas of promise (medical research, pharmaceuticals, medical devices, logistics and advanced manufacturing) with educational programs, supporting outstanding cultural institutions, fostering an atmosphere of excitement and creativity around the “possibilities.” Making intended connections.



Building on Strength

Initiative Spotlights “World’s Orthopedic Capital” in Indiana

Warsaw, Ind., looks like a lot of small American towns. The Kosciusko County courthouse anchors a town square, flanked by modest downtown stores and offices, parks, schools and churches. Nearby is Winona Lake, a restored historic lakeside village, which at the turn of the 20th century was known for the Winona Chautauqua that regularly featured evangelist and local resident Billy Sunday. Winona Lake and Grace College, a liberal arts college, give the area extra polish and a cultural edge.

But Warsaw (pop. 13,559) is not just any Indiana town. Beneath the small-town ambiance hums an \$11 billion engine, a highly profitable and fast-growing global orthopedics industry that sets this quiet Northern Indiana community apart from most other communities across the state – and the country.

Warsaw is home to three of the world’s five

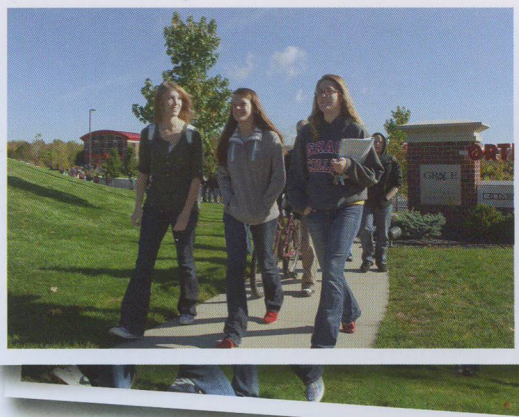
largest orthopedics manufacturers: DePuy, Zimmer Holdings and Biomet – a fact alone that could earn it the title of “orthopedic capital of the world.” The world’s largest spinal-implant manufacturing facility and a cluster of more than 20 other device manufacturers, suppliers and technical service providers also dot the Warsaw area.



According to a 2009 report prepared by BioCrossroads, a life sciences initiative under the auspices of the Central Indiana Corporate Partnership and its charitable foundation, the concentration of jobs in Kosciusko County in the medical devices and equipment category is 50 times the national average. An estimated 6,500 people – approximately half the town's population – work in the orthopedics industry in jobs that pay substantially higher wages than the Indiana average. In 2007 Kosciusko County health and biomedical workers earned, on average, just over \$66,000 per year. This compares to \$41,725 for the average private sector worker in that county.

Kosciusko County has grown its health and biomedical employment base by 39 percent since 2001, compared with 15 percent for both Indiana and the United States.

Collectively, the county's orthopedics companies and related enterprises represent more than a 50 percent market share in orthopedics in the United States and more than a 33 percent share in the world.



It's a place where ordinary people make a good living, and sometimes extraordinary businesses develop. Paragon Medical, an international designer and manufacturer of surgical supplies, for example, was founded

in Warsaw in 1991 largely because of the existing orthopedics industry, according to Tobias (Toby) Buck, founder, president, chairman and CEO of the company. With operations just outside Warsaw in Pierceton, Ind., and Indianapolis, as well as Utah, Switzerland and China, the company has grown to more than 1,000 employees.

"Warsaw is a unique place," Buck says. "I saw the opportunity here."

Brad Bishop, formerly a public affairs executive for 22 years at Zimmer, has greeted reporters from

Just the thought of losing the orthopedics industry prompted Ronald Manahan, president of Grace College in Warsaw, to action. The result was a countywide effort that harnesses the strengths of its communities to meet its challenges.



television news networks, the *New York Times* and the *Wall Street Journal*. Most are amazed to see such a concentration of manufacturing, science and medicine in a relatively remote part of North Central Indiana. "About every two years the national news media discover Warsaw," Bishop says. "It's always fascinating to watch people's reaction to what we have here."

For Warsaw – and the state of Indiana – the orthopedics industry is a vital economic asset. Yet the region's very successes also have led community and industry leaders to wonder: How does a community with such promise hold on to what it has and maximize its potential?

Enter: OrthoWorx

A strategic approach to that

question is the underpinning of the new OrthoWorx initiative, the charitable and educational aspects of which are supported by a \$7 million Lilly Endowment grant to the Kosciusko County Community Foundation (KCCF). The initiative brings together industry, community and education interests to enhance and support the area's competitive appeal in the global orthopedics market.

The grant is part of the Endowment's ongoing interest in helping Indiana communities become better places in which to live and work, beginning in 1990 with the Giving Indiana Funds for Tomorrow (GIFT) initiative for community foundations.

Brad Bishop, who worked at Zimmer for 22 years, is the first director of OrthoWorx. Suzanne Light, executive director of the Kosciusko County Community Foundation, helped bring the "players" together to form OrthoWorx. "For the first time," she says, "organizations in Warsaw are working together and collaborating for the future."

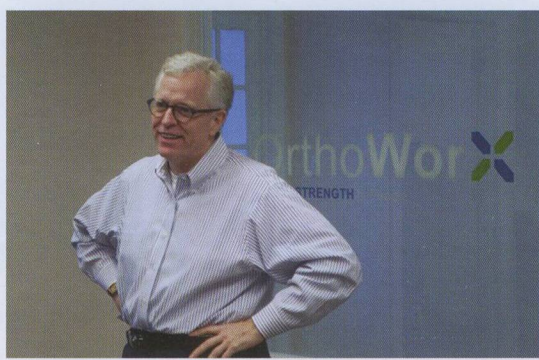
In 2007 the Endowment, building on GIFT, began a new effort to identify and support Indiana community foundations willing and able to play an important, strategic role in helping their community or region exploit compelling opportunities. The 2009 grant to KCCF establishing OrthoWorx is the Endowment's third grant in this effort, following similar grants for

initiatives in Columbus and Fort Wayne.

The grant is the single largest private foundation grant ever awarded in the region, and it's the first-ever attempt to coordinate the area's industry, community and education forces that are key to a thriving future.

The history of orthopedics in Warsaw can be traced back to 1895 when Revra DePuy founded DePuy Manufacturing to make and market a new kind of fiber splint to set broken bones. But the history of the region's community and industry working together for the greater good hasn't always been serene.

Fierce competition among the orthopedics players that limited cooperative activity, coupled with an easy complacency



from a seemingly secure stream of jobs, resulted in a lack of community will to plan for future success and prosperity.

Bishop, who was named the first executive director of OrthoWorx in 2010, says that until OrthoWorx, there hadn't been a mechanism for collaboration. "Left to their own devices, many of the companies would not have sought out this experience," he says. "It's gratifying to see how they and the community have responded to OrthoWorx."

Assets and challenges

Ronald E. Manahan, president of Grace College since 1994, was one community leader pondering the unthinkable back in 2002 at an economic development meeting in Indianapolis. "I started thinking, 'What if the orthopedics industry left Warsaw? What would

Small-town flavor is evident in the neighborhoods of Kosciusko County, but OrthoWorx presents big-time opportunities.



happen to our community?' It would be a real loss," Manahan recalls.

He later acknowledged to a consultant at the meeting that there was no concentrated effort to keep the industry in Indiana. "The consultant asked me, 'Well, what are you going to do about it?' That was certainly an ah-hah moment for me. It was a challenge – what am I going to do about it?"

Fortunately, the daunting task wasn't left to Manahan alone. A 2001 Battelle Memorial Institute report detailed the strength and potential growth of the orthopedics industry and made it clear that the industry in Indiana – which had grown up almost serendipitously in Warsaw for nearly 100 years – was a homegrown prize that Indiana could not afford to lose, according to David Johnson, BioCrossroads president and CEO.

Armed with a 2008 Endowment grant, BioCrossroads worked with Grace College, KCCF and leaders from the orthopedics industry to investigate the opportunities and challenges facing that industry in the region. BioCrossroads commissioned a new, comprehensive study that revealed "stunning" information, Johnson says.

The study not only tallied the achievements of the existing industry, but it also concluded that a steady or increasing demand for hip and knee replacements, spinal implants, reconstructive devices and orthobiologics (products that use growth factors and proteins to help bone and soft tissues heal) indicated bright prospects for future growth.

But the report also revealed some challenges. "Health-care reform, in addition to global pressures confronting the whole economy, means that nothing is guaranteed," Johnson says.

The study included a number of in-depth interviews and facilitated discussions with nearly 80 participants from Warsaw's community, industry, government, civic, education and not-for-profit leadership. It brought other issues to light. One of the biggest: talent attraction and retention. Cheryl R.



Blanchard, senior vice president and chief scientific officer at Zimmer, has worked on recruiting talent to Warsaw for years. A small, Midwestern town can sometimes be a hard sell to an ambitious, international talent pool, she says.

"These are highly educated people who can live anywhere," says Blanchard, who holds a PhD in materials science and engineering from the University of Texas at Austin. "The orthopedics industry attracts diversity, but a small town like Warsaw can have trouble keeping diversity. The industry will have limited ability to thrive unless we can bring well-educated and qualified people here and offer them the cultural and educational opportunities they need and want."

Challenges extend to supporting the industry's need for an educated workforce in an increasingly

Cheryl Blanchard, senior vice president and chief scientific officer at Zimmer and OrthoWorx board chair, is familiar with issues of talent attraction and retention. She thinks it is never too early for students to learn the disciplines and techniques that guarantee a workforce prepared for 21st century jobs.

technical and scientific manufacturing environment. Collaborations with Grace College, Ivy Tech State College, the University of Notre Dame, Trine and Purdue universities have been successful, but the pipeline of highly skilled employees is still lacking. Education to fill that pipeline begins in the earliest grades.

She recently spoke to a Warsaw middle school audience about opportunities in orthopedics and asked how many of the students had parents who worked in the industry.

"Nearly every student's hand was raised," Blanchard says. "When I asked how many planned to work in the orthopedics industry themselves, about half raised their hands. The expectation is that there will be jobs here. Yet this educational system currently is not preparing them adequately for future jobs in this industry."

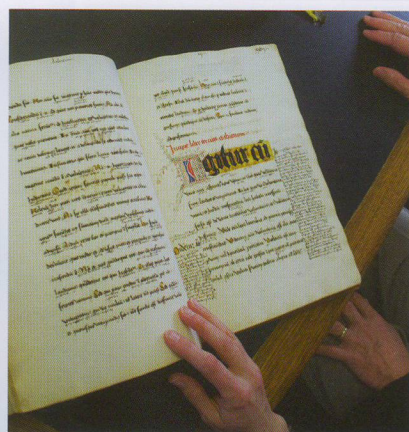
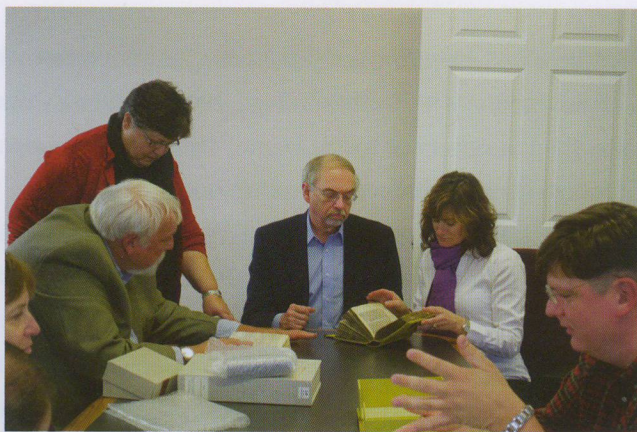
Other issues relate to transportation. Warsaw's geographic isolation makes shipping and distribution of orthopedic products intended for markets around the globe more challenging and expensive. Travel for orthopedics industry employees like David Floyd, CEO of DePuy, is a hassle. It can take four hours to get to the airport in Chicago or Detroit for an international flight.

The difficulty in getting to Warsaw also affects recruitment. "If you're from the Midwest, it might not bother you, but we recruit from all over," says Floyd, who grew up near Cleveland and graduated from Grace College. "Transportation issues need to be addressed to make us more productive."

Warsaw's future

OrthoWorx – with its board of directors that includes Blanchard (chair), Floyd and Biomet Orthopedics President Jon Serbousek, leaders from the three largest orthopedics companies; entrepreneurs like Buck; and education leaders like Manahan – is working on these issues and more.

"It's very exciting," says Suzanne M. Light, who as executive director of KCCF has helped guide the



local effort in establishing OrthoWorx. “For the first time, organizations in Warsaw are really working together, collaborating and engaging for the future.”

Among OrthoWorx’s early achievements:

- An agreement with Grace College to launch the nation’s first graduate certificate program in orthopedic regulatory and clinical affairs, filling a crucial gap in workforce training and providing participants with the expertise required to meet an existing demand. The program, offered through the OrthoWorx Center of Excellence in Orthopedic Regulatory and Clinical Affairs at the college, will begin its first classes in May 2011 with full enrollment.
- Relocation of the Remnant Trust, an educational foundation, and its permanent collection of more than 1,000 original and first-edition historical documents, including the *Emancipation Proclamation*, an edition of the *Magna Carta* from 1542, and writings by Thomas Paine, John Locke, Thomas Hobbes and Ralph Waldo Emerson. The collection, housed at the Remnant Trust in next-door

Winona Lake, provides a unique cultural and educational opportunity for the community and a chance to share these treasures with research institutions across the country.

- A comprehensive study reviewing the quality of Warsaw-area schools by Cambridge Education, a leader in the field of school evaluation. The study and the public conversations it has generated are “amazing opportunities,” gifts rarely afforded public schools that would not be possible without OrthoWorx funding, according to Warsaw Community Schools Superintendent Craig J. Hintz.

“We’re lucky to have a board that doesn’t indulge in feel-good moments,” Blanchard says. “OrthoWorx is a working board. Every meeting ends with ‘What’s next?’ We’ve all seen community initiatives turn into back-slapping, so-good-to-see-you groups that don’t get a lot done. If you’re going to be a successful change agent, you’ve got to keep pushing.”

While the orthopedics industry outlook is bright as the demand for its products continues to grow, Warsaw also is poised for a brighter future as an orthopedics center, according to Bishop.

“We want Warsaw to be thought of as a haven for smart people who want to work or start a business here. We’re concentrating on becoming a better and better place so we can convince people that their aspirations for career and personal growth can be met right here,” he says.

OrthoWorx board members get an up-close look at early manuscripts, part of the Remnant Trust, a collection of more than 1,000 historical documents, such as the Aristotle manuscript (right), done by hand, of the *Nicomachean Ethics*, dated about 1488. Explaining the documents are Brian Bex (left), founder and chairman of the trust, and his son, Kris (right), president of the trust. Board members include Suzanne Light (standing left), Ron Manahan and Cheryl Blanchard. OrthoWorx and KCCF purchased the collection as a gift to the community.